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Plain Language and Consumer Comprehension; Is there an effect?

By

Tracy Dawn Heron

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfilment of the requirements for the degree of Master of Science

IN

CONSUMER STUDIES

Department of Human Ecology

Edmonton, Alberta

Fall, 1994

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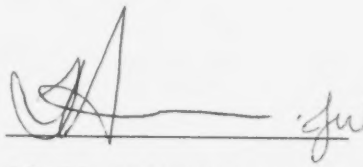

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Dr. Janet Fast

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Eric Spink

July 12, 1994

DEDICATION

For Larry and Doreen Heron. Words cannot express the amount of love, encouragement and patience they have shown me throughout my school years. They created a home environment where it was possible to learn, to love, and most of all to laugh. I will always be grateful for their unconditional support and love; without it I would have been unable to pursue my academic goals. Thank–you Mom and Dad.

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ABSTRACT

This study examined the effects of changing two consumer contracts from the typical legalese format to plain language. 'Legalese' is the term most often used to describe complex legal writing, the type found in legal contracts. 'Plain language' has many connotations, the most common is writing which is clear and understandable to the target reader. Two different contracts were examined for this research; a lost bank cheque disclaimer which is a conceptually simple document, and a loan guarantee form, which is a conceptually complex document. Participants were given either a plain language or legalese version of one of the contracts and were asked questions regarding the content. Correct responses to the questions were indicators of understanding. The average number of correct responses for each version were compared and the results were analyzed for statistical significance using analysis of variance. The results indicate that plain language increases reader comprehension of both simple (bank cheque) and complex (guarantee) documents. As well, plain langauge effects reader perception of the difficulty of the document. Both plain language versions were perceived as being easier to understand than the legalese versions.

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TABLE OF CONTENTS

Chapter		Page
I. Introduction		1
	A. Principles of Plain Language	3
	B. History of the Plain Language Movement	5
II. Literature Review		8
	A. Issues of Comprehension	8
	1. Litigation	8
	2. Cost/Savings	10
	3. Consumer Decision Making	12
	B. The Central Role of Comprehension	14
III. Conceptual Framework		20
IV. Methodology		26
	A. Research Design	26
	B. Operationalization of Comprehension	28
	C. Sample	30
	D. Experimental Procedure	31
	E. Operational Hypotheses and Data Analysis	33
	F. Limitations	34

V. Results 36

A. Description of the Sample 36

B. Actual Comprehension 37

C. Perceived Comprehension 38

VI. Discussion, Implications, & Recommendations for Future Research 40

A. Discussion 40

B. Implications 47

C. Recommendations 49

VII. References 52

Appendices

A. Legalese Guarantee 65

B. Plain Language Guarantee 69

C. Legalese Lost Bank Cheque Form 83

D. Plain Language Lost Bank Cheque Form 85

E. Participant Information Sheet 87

F. Participant Consent Form 89

G. Guarantee Questionnaire 91

H. Lost Bank Cheque Questionnaire 97

LIST OF TABLES

Table		Page
Table 1:	Flesch readability scores for each document	59
Table 2:	Percentage of participants from each faculty compared to the University population	60

LIST OF FIGURES

Figure		Page
Figure 1:	Mean Actual Comprehension Scores	61
Figure 2:	Mean Perceived Difficulty of Language	62
Figure 3:	Mean Perceived Difficulty of Concepts	63
Figure 4:	Mean Perceived Overall Difficulty	64

I. Introduction

Countless consumer transactions occur in the Canadian marketplace every year. Many of these transactions involve written statements or contracts outlining the terms of the agreement. Although two parties enter into the contract, often one party – the consumer – is ignorant of the actual terms (Alberta Consumer and Corporate Affairs, 1991). This is largely due to the fact that many consumer contracts are written in 'legalese', a style of writing most often used by lawyers, which is incomprehensible to the average reader (Canadian Bar Association and The Canadian Bankers' Association, 1990).

Many have questioned the fairness of this situation: why should consumers be responsible for upholding terms of a contract which they can not understand? One proposed solution is to write consumer documents in "plain language" – everyday language using terms familiar to consumers. However, others suggest that legal concepts are too difficult to translate to simple language, and that most people do not read the contracts they sign anyway.

Most of the research in this area revolves around either the merits or the negative consequences of plain language. The suggested benefits range from increased consumer understanding of the terms of legal contracts to the creation of a more equitable marketplace. On the other hand, a significant consequence of plain language is argued to be increased litigation of contracts due to the vague interpretations of simple terminology.

Despite the continuing debate, the demand for plain language is increasing steadily. It is argued that in the next few years plain language documents will become the norm for government and businesses. This movement may have negative consequences which have yet to be investigated, including substantial costs for businesses to revise documents as well as increased consumer accountability.

Although there are many articles in the literature which debate plain language, there is little empirical research to support either side of the issue. The majority of these articles operate on the assumption that plain language in consumer documents will necessarily facilitate consumer understanding. The purpose of this study is to provide information about whether plain language affects consumers' understanding of legal contracts by comparing participants' comprehension of documents written in plain language and legalese.

It is not known with certainty whether plain language will affect understanding. Nor is it known whether any effect is likely to vary across different types of documents. For example, it has been suggested that plain language may have an effect on conceptually simple documents, but conceptually complex documents may be too difficult for a reader even when written plainly. Therefore, it was prudent to examine more than one type of document – one conceptually difficult document and one conceptually simple document. This study will aim to examine whether or not plain language affects comprehension, and, if so, whether

plain language affects comprehension of difficult documents differently than simple documents.

A. Principles of Plain Language

Since the 1970's, many consumer advocates have supported the 'plain language' movement. This movement calls for eliminating legal language (legalese) and improving the physical layout of consumer contracts and documents (Canadian Bar Association and The Canadian Bankers' Association, 1990; Cutts & Maher, 1984; Good, 1989; Government of Alberta, 1991; Thomas, 1984). The following sentence taken from the Bank of Washington's loan application form, which was converted to plain language in 1978, will illustrate the difference between plain language and legalese. These clauses are not identical, but simply illustrate the differences in syntax between plain language and legalese. The original or legalese version of the form stated the following:

> ...in the event of a failure to make any payment when due hereunder, the entire indebtedness including interest due and accrued thereon shall at the option of the lender or any other holder of this note become immediately due and payable.

The run–on sentence, lack of punctuation and legal jargon (hereunder, indebtedness) of the above excerpt typifies legalese writing.

The new plain language version reads:

> ...if for any reason I fail to make a payment on time, I shall be in default. The bank can then demand immediate repayment of the remaining unpaid balance of the loan, without giving any further notice. (Block, 1983, p.952).

The above excerpt clearly illustrates some of the relevant principles of plain language writing. For example, the plain language version uses first person pronouns. The plain language version also omits archaic terms such as 'thereon' and 'due and payable'.

In addition to vocabulary, plain language writing includes legible (minimum 10 point) type size, headings, physical layout (for example, good organization of paragraphs, 'white space' with no text) and active rather than passive verbs, all of which are intended to facilitate comprehension by the reader (Canadian Bar Association and The Canadian Bankers' Association, 1990; Elliot, 1991; Good, 1989; Ward, 1992).

It has been argued that using these principles in writing consumer contracts will assist consumers in making informed purchase decisions (Thomas, 1984), and facilitate understanding of the terms of the contract (Canadian Bar Association and The Canadian Bankers' Association, 1990; Elliot, 1991), which in turn will create a more equitable marketplace (Ferry & Teitelman, 1980; New South Wales Adult Literacy Council, 1990). For instance, historically the business offering the contract had a distinct advantage over the consumer in that the consumer was often ignorant of the actual terms of the agreement.

With so many suggested benefits to consumers, it is not surprising that the demand for plain language has been steadily increasing (Benson, 1989). It has been argued that in the next few years, plain language documents will become the norm for government and businesses (Cutts, 1992). The next section will provide a brief overview of the plain language movement, and address some of the prevalent issues in the literature.

B. History of the Plain Language Movement

The plain language movement began in the 1970's . The catalyst for the movement is not known with certainty, but has been attributed to consumer demand for understandable contracts and documents (Elliot, 1991). However, some business managers have also recognized the need for user-friendly consumer documents. In 1973, Citibank was the first American bank to revise loan forms to plain language, using many of the principles discussed above. Prior to revising the forms, many Citibank customers were defaulting on loans. In fact, Citibank initiated the third largest number of law suits in the United States, most due to loan defaults. Citibank management felt that their clients did not adequately understand their responsibilities when it came time to repaying the loan. The loan forms were revised using plain language principles; archaic terms were removed, sentences were shortened, and first person pronouns were used. Subsequently, the litigation by Citibank decreased. This is one of the most prevalent "success"

stories found in the literature (Government of Alberta, 1991; Millus, 1983; United States Department of Commerce, 1984).

Although a great deal of the plain language literature originates in the U.S., the plain language movement is not confined to the United States. In fact, an Australian insurance company is credited with producing the first plain language insurance policies in 1976 (New South Wales Adult Literacy Council, 1990). At the same time, the government of the United Kingdom was also taking steps to promote plain language (or plain English as it is known there). A plain English campaign was started in 1979, with the purpose of improving government documents and consumer contracts (Elliot, 1991). Canadian provincial governments also have been active in the plain language arena. Plain language tax forms have been used in Quebec since 1982, and Ontario's provincial government has been working on plain language vehicle registration and driver's license forms (Elliot, 1991). British Columbia's Plain Language Institute hosted the first international plain language conference in October 1992.

The government of Alberta has been especially committed to plain language. In 1990, former Minister of Alberta Consumer and Corporate Affairs, Dennis Anderson, stated that all government forms will be in plain language by 1995 (MacGregor, 1990), and many departments are in the process of reviewing their documents. For example, the Corporate Registry division has contracted an independent plain language expert to revise over ninety forms. The Alberta Financial Consumers Act was the first legislation in Alberta to be written in plain

language and it states that financial documents must be written "in readily understandable language and form" (Financial Consumers Act, 1990).

Of course, with any proposed change to the status quo--in this case the format of consumer contracts--there will be some resistance. Most of the literature in this area consists of arguments from proponents and opponents of plain language. These articles are primarily anecdotal and focus on the potential outcomes of plain language. These outcomes include litigation of contracts, image, cost/savings and consumer decision making. These components will be discussed in detail in the literature review.

II. Literature Review

Most of the issues in the debate over plain language hinge on understanding documents and contracts. This literature review will first describe those issues in the plain language literature for which consumer comprehension is central. This will be followed by a discussion of the salient principles of reading comprehension, which will provide insight into the rationale behind the principles of plain language writing.

A. Issues of Comprehension

1. Litigation

The problem most commonly cited in the literature by opponents of plain language pertains to the litigation of plain language contracts. The legal terms used in many contracts (legalese) have been tested in court, and are argued to be precise (Cohen, 1982; Goldstein, 1989; Risjord, 1990). In contrast, since plain language documents have not been tested in court or 'proven', some believe they will lead to increased litigation (Thomas, 1984; Perrin, 1990). However, the available literature does not support the contention that litigation will necessarily increase if plain language documents are used (Block, 1983; Good, 1989; Leete, 1981). In fact, the Citibank experience described in the introduction suggests that litigation may actually decrease if consumers understand their obligations prior to entering the agreement (Good, 1989; Millus, 1983; United States Department of Commerce, 1984).

Many lawyers argue that legal terms have been agreed upon, and are not open to interpretation (Cutts & Maher, 1984). Contracts are required to be specific in order for both parties to agree on the terms of the arrangement. Interestingly enough, one of the primary arguments against legalese contracts is that consumers do not understand them and they are therefore open to misinterpretation by at least one of the parties to the contract (Eagleson, 1991; MacGregor, 1990). Winter (1980) argues that contracts are only taken to court if there is a misunderstanding of the terms and conditions. If contracts are written plainly this litigation should decrease.

In addition to the (primarily) legal professionals' fear of increased litigation is the fear of omitting clauses in plain language documents. Lawyers do not want to lose cases because they have chosen to write for their client in plain language (Perrin, 1990). For example, many contracts have multiple, sometimes overlapping, provisions with specific terms in order to protect the business if the contract is disputed. If a lawyer chooses to write in plain language, the contract may not offer enough protection should the document be litigated.

Some studies have attempted to determine which type of writing is the preferred style for court documents submitted to judges (Benson, 1989; Dubose, 1991). Judges were given two samples of writing, one plain language and one legalese, and asked which version they, as judges, preferred to read. The judges favoured the plain language versions in both studies, due to the readability and clarity of the plain language documents (Kimble, 1992). In addition, Winter (1980)

argues that courts are becoming more sympathetic to consumers who have signed incomprehensible contracts, based on the contra proferentum rule which states "an ambiguous provision in a written document will be construed most strongly against the person who selected the language" (Black, 1979, p. 295).

On the other hand, some researchers maintain that consumers will be held more accountable for their actions under plain language contracts. Currently, if a consumer does not comply with terms of a legal agreement a judge may take into consideration the difficulty of the language used in the contract. There have been instances in which judges have been lenient toward consumers who have not fulfilled their stipulated obligations under a contract if the document is perceived by the judge to be incomprehensible to the consumer (Good, 1989). The defense of not understanding a contract's terminology would not hold under a plain language contract. However, little evidence exists to suggest that consumers understand plain language documents better than legal documents. If consumers are held more accountable for their actions under plain language documents, it is imperative to determine if they do, in fact, understand plain language documents better than legalese documents.

2. Cost/savings

It has been argued that changing contracts and documents to plain language can save businesses and government money (Eagleson, 1991; Elliot, 1991; Kilgore & Stobinsky, 1990; New South Wales Adult Literacy Council, 1990; Stephens, 1992;

Vale, 1992; Winter, 1980). These savings will result from reducing staff time required to explain documents to clients, less time to train staff to use forms and documents, fewer questions from clients in the long run and more forms filled out correctly the first time.

Plain language can also save consumers time and money when they are able to understand the document without having to consult legal counsel. As well, consumers will be better equipped to compare goods and services if they understand the provisions of different agreements (Ferry & Teitelman, 1980). Ferry and Teitelman (1980) argue that even if a few consumers use the opportunity to understand plain language documents and search for optimal purchase terms, the market will necessarily offer these terms to remain competitive.

However, it is very costly to revise documents to plain language (Barnett, 1991; Cohen, 1982). Each document must be carefully examined to determine its specific purpose. In other words, a thorough needs assessment must be done for each form. Only then can the format and the language used in the document be examined for revisions (Barnett, 1991). The savings which are argued to result from plain language documents must be apparent to businesses before they voluntarily incur the cost of revision. Eagleson (1991) and Vale (1992) propose that any financial costs incurred by revising forms to plain language will be returned many times over. They argue that consumers will acknowledge the efforts of the business to be understandable, and will respond with patronage. Yet, it is not clear that consumers will in fact understand plain language documents better than legal

ones, or even notice that the document is 'plain'. If this is the case, the money spent on revising forms may be more effectively used for other purposes--such as consumer education.

This issue becomes especially salient if businesses are required to use plain language. Some U.S. states have strict legislation mandating the use of plain language in consumer documents (Benson, 1989; Block, 1983). If consumers do not understand plain language documents better than legalese documents, and do not perceive any difference between the two types of documents, this requirement could be an unfair and costly burden to businesses.

3. Consumer decision making

Plain language documents are presumed to facilitate consumer decision making (Canadian Bar Association and The Canadian Bankers' Association, 1990; Thomas, 1984). It is important for consumers to be able to compare goods and services in order to make purchase decisions (Ferry & Teitelman, 1980; Knight, 1993; Thomas, 1984). Plain language documents are believed to facilitate comparisons, and illustrate to consumers their responsibilities in the transaction (Alberta Consumer and Corporate Affairs, 1991; Canadian Bar Association and The Canadian Bankers' Association, 1990). As well, some argue that plain language creates a more equitable marketplace since consumers can understand the contracts they sign (Ferry & Teitelman, 1980; Fingerhut, 1982; New South Wales Adult Literacy Council, 1990). Consumers are then more likely to live up to their

end of the agreement (New South Wales Adult Literacy Council, 1990; Winter, 1980).

Winter (1980) states that complex insurance and bank forms do not allow for consumer comparisons, since most insurance companies and financial institutions are perceived by the consumer to use similar documents with virtually identical terms. Again, plain language contracts may illustrate the differences between competing companies and highlight the similarities. The consumer is then in a better position to decide which company offers the best products or services for their needs.

Many plain language proponents maintain that incomprehensible contracts infringe on consumer rights, particularly the right to be informed (Ferry & Teitelman, 1980; Knight, 1992). A contract is an agreement between two parties (Ferry & Teitelman, 1980; Fingerhut, 1982). However, if the consumer is unaware of the terms of the contract it is no longer a bilateral agreement. Yet, on signing the contract, the consumer is bound by its terms whether s/he understands it or not. As well, on some occasions, employees do not understand the documents they use, and may incorrectly explain the terms of the document to the client (Winter, 1980). In fact, Winter (1980) reports that in one company managers from different branches gave conflicting explanations of a particular legal clause used in their forms.

B. The Central Role of Comprehension

Again, most of these issues revolve around consumer understanding of legal contracts. Comprehension is important in order to compare services (Canadian Bar Association and The Canadian Bankers' Association, 1990), to function as a consumer in society (Chovil, 1993; Davis, 1944; Kintsch & Miller, 1984), and to determine the rights and responsibilities involved in agreements prior to signing (Alberta Consumer and Corporate Affairs, 1991; Canadian Bar Association and The Canadian Bankers' Association, 1984; Chovil, 1993; Knight, 1992; Thomas, 1984).

Despite the consensus on the importance of understanding, there is little evidence to support the claim that plain language facilitates comprehension. One recent study found that removing legal language and changing the syntax of legal documents can marginally increase understanding, but that the level of comprehension is still low (Masson & Waldron, in press). Masson and Waldron hypothesize that legal concepts may be too difficult for the average consumer, even when written plainly. Opponents of plain language also argue that legal documents are inherently too complex to be understood by the general public, and that vital concepts will be lost in the translation to everyday language (Cohen, 1982; Goldstein, 1989; Risjord, 1990).

One of the prominent suppositions in the reading comprehension literature is that the more complex the message is, the more difficult it will be to understand (Kintsch & Miller, 1984; Sternthal & Craig, 1982). However, it has been accepted that certain components of a text will facilitate understanding (Abbott, 1971; Adams,

1980; Chall, 1984; Davis, 1944; Kintsch & Miller, 1984). These components include organization of the text (Bettman, Johnson & Payne, 1991; Sternthal & Craig, 1982), sentence length (Chall, 1984; Kintsch & Miller, 1984), physical appearance (Schwartz, 1984) and vocabulary (Chall, 1984; Kintsch & Miller, 1984). Accordingly, texts with difficult content could incorporate good organization (such as short paragraphs), short sentences, and uncomplicated vocabulary to facilitate understanding. Interestingly, this is the premise behind the principles of plain language writing.

Sentence length and vocabulary are the two factors most related to difficulty reading a passage (Chall, 1984). As well, the reader's prior knowledge and experience with words used in the text is an integral determinant of understanding (Abbott, 1971; Adams, 1980; Baker & Brown, 1984; Davis, 1944; Dehn, 1984; Kintsch & Miller, 1984). In essence, these authors propose that writing documents using vocabulary familiar to the target reader will facilitate comprehension. Legal documents intended for consumers often use legal jargon which is incomprehensible to the general public due to its complexity and lack of familiarity (Squires, 1984). This is the primary reason that legal documents are targeted for criticism by plain language proponents.

Most would agree that understanding contractual obligations is important for consumers. However, whether this understanding should emerge from simply reading the document or by consulting legal counsel is central to this debate. According to Elliot (1991), it is simply logical that readers understand what has

been written for them. Reading comprehension has been defined as occurring when the reader obtains the correct meaning intended by the writer (Harker, 1972; Sternthal & Craig, 1982). Reading is a basic communication process between a reader and writer (Harker, 1972), and consumer contracts should not be an exception to this rule. If consumers are responsible for the documents they sign, they should be able to understand them (Ferry & Teitelman, 1980; Squires, 1984).

Understanding is a rudimentary requirement for information processing (Abbott, 1971; Sternthal & Craig, 1982). For instance, if a reader does not understand the meaning of a passage, he/she will be unable to use the information imparted by the writer. In terms of consumer contracts, if the reader does not understand the content of the contract, he/she will not know the exact provisions of the document. With binding legal documents, it seems essential that the consumer know what action must be taken in order to comply with the agreement. In other words consumers should know both the rights and responsibilities imparted by the contract before signing it (Knight, 1992; Winter, 1980).

People are limited in the amount of information they can process (Formisano, Olshavshy & Tapp, 1980; Leete, 1981; Malhotra, 1982; Sproles, Geistfeld, & Badenhop, 1980; Sternthal & Craig, 1982). Too much information can result in information overload (Leete, 1981; Malhotra, 1982; Sproles et al., 1980). For consumers, information overload can result in confusion and frustration, feelings which are often evoked when reading legalese documents (Angus Reid Group, 1990; Winter, 1980). In addition, it has been reported that comprehension

levels decrease when readers report feeling frustrated (Angus Reid Group, 1990).

Due to this cognitive limitation, people are often selective in the type of information which is attended to and processed. If the format of the information looks too difficult for the reader, there is a chance that it will not be attended to, or read at all (Alberta Consumer and Corporate Affairs, 1991; Canadian Bar Association and The Canadian Bankers' Association, 1990). In other words, it will be virtually overlooked. To illustrate, most tenants do not read their leases prior to signing due to the perceived difficulty of the document (Kilgore & Stobinsky, 1990). Clearly, consumer advocates are concerned about consumers signing documents without reading them.

Furthermore, it is argued that there is a difference between available and processable information (Formisano et al., 1980; Russo, Kreiser & Miyashita, 1975; Bettman & Kakkar, 1977). Information may be present in a document, yet not processable or even read by the consumer. The terms of a lease may be included in the document, but the consumer may not have the skills to interpret them if they are presented in language they do not understand. And, if the consumer does not read the document due to its perceived difficulty the information is technically not available.

In essence, the quality of information is important to understanding (Chall, 1984; Kintsch & Miller, 1984; Russo et al., 1975; Sproles et al., 1980; Sternthal & Craig, 1982). Quality of information refers to the processability of the information by the target reader. Information processing will be discussed in detail in the

following section, but it is important to note that information must be available to an individual prior to processing. Block (1983) argues that the average person reads at a grade eight level. Most legal contracts are written far above this level (Chovil, 1993). This information, while technically available, is not processable by the typical consumer, and therefore not in fact accessible. Again, increasing the quality of the information (by using common vocabulary and good organization) could increase processability, which in turn will facilitate comprehension.

A recent study tested participants' attitudes about six common legal documents (Chovil, 1993). They were asked how they would revise each document to facilitate comprehension. The participants recorded responses consistent with both the plain language and reading comprehension literature. For instance, in almost all cases, organization of paragraphs, inclusion of headings, shorter sentences, simple vocabulary, definition of terms and larger type size were specified as components to aid comprehension.

Although both theorists and laypeople suggest that these components will aid in comprehension of documents, a lack of empirical research minimizes these arguments with respect to legal documents. Based on the results of their study, Masson and Waldron (in press) suggest that legal concepts may be too difficult for the average consumer to understand. When tested, comprehension increased somewhat when the syntax of documents was manipulated. However, these researchers did not utilize all of the attributes of plain language in their "plain" documents. For example, they focused on the vocabulary but perhaps the layout

could have been manipulated to facilitate reading. Conceivably comprehension would be greater with documents which meet more of the plain language stipulations. Unless further studies in this area are done, this fundamental evidence will be incomplete.

III. Conceptual Framework

Comprehension of written material is the anticipated outcome of a communication process between writer and reader, whereby the reader correctly obtains the meaning intended by the writer (Harker, 1972; Smith, 1971; Sternthal & Craig, 1982). In the case of consumer contracts, comprehension will entail acquiring accurate information regarding the terms of the agreement.

What is involved in comprehension? How is information understood? Essentially, there are two bodies of literature which help to explain this phenomenon – information processing theory and reading comprehension theory. Although from different disciplines, many of the concepts in these paradigms overlap, and will be used interchangeably in this discussion. Reading comprehension theory examines how people read and understand words. Information processing theory is somewhat more cognitively oriented, and focusses on the process by which information is manipulated internally once it is received by the brain.

For this study, information processing will be defined as the process by which individuals cognitively manipulate written information in order to understand it. Though both information processing and reading comprehension theories are by nature quite complex, the concepts relevant to this discussion will be limited to the process of understanding and using written information.

In order to process written information to obtain meaning, individuals must actively allocate processing capacity to the stimulus – the text. In other words, they must devote mental effort to interpret the written material (Kahneman, 1973). However, many argue that individuals are limited in their ability to process information (Adams, 1980; Formisano et al., 1980; Leete, 1981; Malhotra, 1980; Sproles et al., 1980). Due to this limited ability, people are selective about the kind and amount of information which they will try to process at one time.

The amount of information presented to an individual is often referred to as 'information load' (Bettman, 1979). If the information load appears to be too demanding or complex, the reader may not allocate the capacity to process it, and the material will be virtually ignored. Bettman (1979) argues that humans will actively minimize demands on processing capabilities. Disregarding information is one method of reducing demands on this processing capacity. An example of this behaviour occurs when consumers sign contracts without reading them. As stated earlier, according to Kilgore & Stobinsky (1990) many tenants do not read their leases prior to signing due to the perceived difficulty of the document.

As the material is being read, the information is filtered before it enters the 'working' or short-term memory. If the text is not understandable, it will not progress through the filter or be transferred to short-term memory, and will quickly be forgotten (Schwartz, 1984; Sternthal & Craig, 1982). Comprehension of words and phrases is essential for information to be transferred to short-term memory.

If the information passes through the filter to the short-term memory, it will either undergo further processing or again quickly be forgotten. The function of short-term memory is to manipulate the incoming information in order to transfer it to long-term memory, which is argued to be a permanent holding repository for information (Bettman, 1979; Schwartz, 1984). While in short-term memory, the individual will attempt to 'fit' the new information with existing information in long-term memory. An individual's previous knowledge is instrumental in this stage of the process. The processing of information will be faster and easier if the reader is familiar with the incoming concepts (Schank, 1982; Smith, 1971). In general, but particularly when learning new concepts, the readers' knowledge of words found in the text is essential for processing and understanding (Abbott, 1971; Adams, 1980; Baker & Brown, 1984; Dehn, 1984). Accordingly, texts with common, everyday vocabulary will be easier to process and therefore more likely to be understood than texts with language which is foreign to the reader, especially with concepts which are novel to the reader.

If information is not consistent with previous beliefs, or if it cannot be manipulated easily to transfer to long-term memory, it will be lost. Once information is transferred to long-term memory, it can undergo extensive processing, which is required for drawing inferences or problem solving (Rosenshine, 1980). In other words, the information is now available for use by the individual.

Comprehension is a salient factor in this process. Again, if information appears to be incomprehensible, it will not be read. Once read, if the material is not understood, for example because it is expressed in unfamiliar language, it will fade quickly from short–term memory. Only with understanding can information be processed and subsequently transferred to long term memory. Once in long term memory, the reader can use the acquired information to perform cognitive tasks such as problem solving. Accordingly, the presentation of the text is an important factor in comprehension. Everyday vocabulary can help the reader process the text, while neat organization of the text may encourage the reader to attempt to process it.

An example of a consumer transaction involving a legal purchase contract can further illustrate the stages of this process. Initially, the reader is exposed to the written material. In the consumer purchase situation, this is the contract or purchase agreement. In most cases, the consumer is given this contract to peruse and sign to formalize or close the agreement. Signing the document indicates that the consumer is agreeing to the terms stipulated within the document.

If the document looks too complex, the consumer may decide not to read the contract at all. Clearly, this has important implications for the consumer. If the consumer signs the document without reading it, he/she may be agreeing to unidentified terms. The problems occur if the consumer does not or can not comply with these terms.

Suppose the consumer does read the contract. As the words of the text are read, the filtering system will allow identifiable words to progress to short term memory. If an unrecognizable word is encountered, the reading process will stop while the reader attempts to make sense of the sentence with the difficult word. This disruption in reading can evoke negative feelings in the reader. If the sentence itself can not be understood, the reader will either attempt to continue reading the document, or will skim the document for understandable portions. Again, this example illustrates how vocabulary in a document can affect processing and comprehension.

Once the text enters the short term memory, it will again be analyzed for comprehension, then transferred to long term memory. Even if all the words in a sentence are understood, the sentence may still not make sense to the reader. In other words, if a sentence is lengthy, convoluted or complex, the meaning of the sentence may be lost to the reader (Schank, 1982). If the sentence can not be manipulated in short term memory, it will not be processed any further, and the information will be quickly forgotten. If asked about the content of the document the consumer likely will be unable to answer.

Legal documents seemingly violate every principle argued to aid comprehension. They use difficult vocabulary, are poorly structured grammatically, and appear to be difficult reading with poor organization and small type. Plain language documents, however, should assist comprehension as these documents incorporate practically every comprehension aid.

The purpose of this research was similar to the Masson and Waldron (in press) study, to examine whether the use of plain language in consumer contracts resulted in greater understanding of the terms of the contract. However, this study differed significantly from the aforementioned study in that this study tested comprehension of legal concepts, whereas the Masson and Waldron specifically avoided testing comprehension. It was hypothesized that consumers who read plain language documents would demonstrate greater comprehension of the terms of the contract than consumers who read legalese documents.

As well, in order to test Masson and Waldron's hypothesis that plain language may not facilitate comprehension of complex ideas, the impact of use of plain language principles on comprehension of both a complex and a simple document was tested. It was hypothesized that plain language would have a different effect on conceptually simple documents than on conceptually difficult documents.

In essence, the conceptual hypotheses tested were:

a) consumers who read plain language documents would demonstrate greater comprehension of the terms of the contract than consumers who read legalese documents; and b) plain language would have a different effect on the level of comprehension of a conceptually simple document than of a conceptually difficult document.

IV. Methodology

A. Research Design

In order to test the conceptual hypotheses described in the previous chapter, a 2 x 2 factorial experimental design was used. The factors tested included the language used in the document (plain versus legalese) and the conceptual complexity of the document (simple versus difficult).

Four different documents were required to test these hypotheses. First, it was necessary to select two documents of different conceptual complexities but pertaining to similar consumer transactions. Second, it was necessary to have these two documents available in both plain language and legalese. Average comprehension levels of four groups of participants each reading one of the four documents were compared in order to test the conceptual hypotheses.

The plain language movement has had some of its greatest impact in the banking industry. The government of Alberta acknowledged the complexity of financial documents by mandating the use of plain language in consumer financial contracts (Alberta Consumer and Corporate Affairs, 1991). Financial documents are perceived by consumers as being very difficult to read, but very important to understand (Chovil, 1993). These documents are often written at a reading level far above the general public's ability, and are therefore excellent candidates for plain language revisions.

In this study, consumer understanding was tested using original legalese and revised plain language versions of two financial documents. A team of researchers at the Law Reform Institute at the University of Alberta, recognizing the importance of consumer understanding of legal documents, recently converted a complex financial document--a loan guarantee--into plain language. Both the original legalese and revised plain language versions of this document were used in this study (see Appendix A and Appendix B).

The second document, which is much less demanding on the reader, is a form which must be completed by consumers if they have lost a bank cheque. A bank cheque is similar to a certified cheque in that the funds are immediately removed from the customer's account. Typically, bank cheques or 'drafts' are for large amounts of money. If a bank cheque is lost the bank requires the customer to complete a form before a replacement cheque can be issued. A team of researchers from the Canadian Bar Association and The Canadian Bankers' Association converted this document from legalese to plain language, and again, both the original legalese and revised plain language versions were used in this study (see Appendix C and Appendix D).

There are a number of procedures that can evaluate the reading level of written documents. Commonly referred to as readability formulas, these tests may provide a standard by which different types of documents can be evaluated and compared. In this study, each of the documents was analyzed using the Flesch readability test. This test counts the number of syllables and the average number

of words in a sentence to determine a reading level between zero and 100, zero being very difficult to read and 100 being very easy to read.

In this study each document was tested twice and the results were averaged for an overall readability score. The legal versions of both the lost bank cheque form and the loan guarantee scored zero on the Flesch readability test. In other words, these are very difficult documents to read. Not surprisingly, the plain language versions of both documents scored higher on the Flesch test; the bank cheque disclaimer scored 80, while the plain language loan guarantee scored 67 (see Table 1). According to the Flesch readability scale, the plain language documents are easier to read than the legalese documents.

B. Operationalization of Comprehension

Comprehension was defined as the participants' accurate interpretations of the terms and conditions stipulated in a contract. It was measured by asking the participants questions regarding the terms and content of the contract. The questions were prepared with assistance from legal counsel for the Alberta Law Reform Institute who was also a member of the team responsible for the conversion of the guarantee. As well, counsel advised on the acceptable responses for each question. Correct responses from the participants were indicators of understanding.

The respondents were given content comprehension tests which:

a) required direct reiteration of information found in the text of the contract. For instance, they were asked "what information is required to complete this document?" This type of question could be answered by recall or by simply referring to the document; and

b) required integration of the information found in the text of the contract. For example, they were asked "how would you limit your obligations under this contract? What part or parts of the document give you this information?" This type of question required an integration and synthesis of more than one item of knowledge, a task which is more complex than simply scanning the document for the correct response.

The participants also were asked questions regarding the perceived difficulty of the language used in the document, perceived difficulty of the legal concepts contained in the document, and the perceived overall difficulty of the document. Responses were recorded on five point Likert-type scales. A value of one indicated that the document was perceived as very easy and a value of five indicated that the document was perceived as very difficult. Although these questions did not directly measure comprehension, it was anticipated that important information would be revealed. The plain language documents might have been perceived as being easier to read than the legalese documents, but there may not have been any differences in comprehension. Consumers then could be in a vulnerable position if they believe that they understand the terms of plain language contracts when in actuality they do not. This situation is not much different than

if consumers sign documents they know to be incomprehensible, except in this case they erroneously believe that they know the terms of the agreement.

C. Sample

The participants consisted of 75 first year students from the University of Alberta between the ages of 18 and 20. Graduates of other programs and mature students were excluded from this study. This provided a control for the number of years of formal education the participants had completed and the likelihood of previous experience with these kinds of documents (ie. mature students are more likely to have experience with financial documents). These controls were necessary since education and previous experience with contracts could have affected the results of the study.

Announcements in classes were used to recruit the volunteers. Students from a variety of classes were recruited in order to obtain participants from different faculties. This was done to ensure an assortment of students with different skills and aptitudes. The obtained sample was not directly proportional to the actual makeup of the University population, but there was satisfactory representation from the larger faculties for the purpose of this study.

A representation of various faculties was important since students in business, for example, may have different aptitudes for comprehending contracts than students in fine arts or education. However, since most first year students are

required to take similar courses, this difference may have been slightly reduced by using this population.

An incentive was offered to the participants to increase participation rates. Each participant could enter a contest to win a cash prize of $50.00. Separate entry forms were given to the participants after the testing session. These entry forms required the participant to identify him/herself, but the draw was optional, and the entry forms were not associated with the questionnaires.

D. Experimental Procedure

The participants were given an information sheet to read and a consent form to complete before beginning the task (see Appendix E and Appendix F). The respondents were not asked to identify themselves on the questionnaires and confidentiality was assured. The participants were asked for their ages and education levels to determine eligibility prior to the actual testing.

Participants were randomly assigned to one of four groups:

group (i) received a legalese version of a conceptually complex document (loan guarantee);

group (ii) received a plain language version of a conceptually complex document (loan guarantee);

group (iii) received a legalese version of a conceptually simple document (lost bank cheque); and

group (iv) received a plain language version of a conceptually simple document (lost bank cheque).

The control condition was the legalese version of each type of document as these are the documents that are currently used in purchase situations. The treatment condition was the plain language version as this experiment was designed to examine how plain language affected understanding.

The participants in groups (i) and (ii) were given identical questionnaires (see Appendix G), as were the participants in groups (iii) and (iv) (see Appendix H). Each question could be answered using either version of the document. The participants were asked to first read through the document and record their reading time. They were then asked content questions specific to either the guarantee or the lost bank cheque.

The participants had the contract in their possession while completing the test. This served to simulate purchase environments, as consumers usually have a copy of the contract available to them in purchase situations. This procedure differed from the Masson and Waldron (in press) study, in which the participants did not have the document in front of them while answering the test questions. The testing sessions were conducted in an office setting, where the participants could sit down and read the documents in a quiet atmosphere.

Once the participants completed the questionnaire, they were debriefed by the researcher. During this time the purpose of the study was explained, and the participants were allowed to compare the document they had read to its plain

language or legalese counterpart. Comments from the participants regarding their impressions of the documents were solicited.

E. Operational Hypotheses and Data Analysis

Operational hypotheses included:

H1: Participants who read a simple document written in plain language will score higher on a content comprehension test than participants who read the same contract in legalese.

H2: Participants who read a difficult document written in plain language will score higher on a content comprehension test than participants who read the same contract in legalese.

H3: The overall difference in content comprehension scores of those reading legalese and plain language versions of the simple document will differ from the overall difference in comprehension scores of those reading legalese and plain language versions of the complex document.

Data was analyzed using a two way analysis of variance, independent groups design, fixed effects model. Factor A was the language used in the document--plain or legal--and Factor B was the conceptual complexity of the document--simple or difficult. The data was examined for main effects within Factor A and within Factor B, and for interaction effects between Factors A and B. The alpha level was set at .05. Planned comparisons were executed on the

significant effects. T-tests were used to analyze the magnitude and direction of the significant effects.

F. Limitations

All experimental procedures have design weaknesses which limit the generalizability of the results. The decision to use first year students necessarily limited the scope of the study. However, the sample selection was justified for a number of reasons. Most importantly, this was preliminary research in this field. The use of first year students provided a control for education, whereas the results of a study done on the general population may be confounded by varying education levels. Due to the exploratory nature of this research this type of control was required.

Further, first year students have not had as much exposure to academia as third or fourth year students. By the end of the second year, students begin to specialize in various programs. During the first year, most students must enrol in basic courses which are generic for all faculties. Therefore, using first year students rather than a sample of all University students provided a control for the type of post-secondary knowledge the participants had acquired.

Finally, although first year University students have more education than the average consumer, the majority of these students had not previously encountered legal contracts like the ones used in the study, and therefore their education may not have greatly influenced their responses. Regardless of the participants'

inexperience with these documents, the results of this study are limited in their generalizability to the general population.

The obtained sample of participants will differ from their classmates who did not volunteer. Studies have shown that volunteers differ from non–volunteers on factors such as intelligence and intuitiveness (Borg & Gall, 1989). The results may have been different if students who would not ordinarily volunteer were somehow tested.

A different type of limitation involves the instruments used in the study. Due to the dissimilar nature of the documents (bank cheque and loan guarantee) the questionnaires included questions which required different cognitive abilities in order to respond. The questions pertaining to the loan guarantee required the participant to integrate knowledge procured from the contract, whereas the lost bank cheque document primarily required the student to reiterate information found in the text. Due to this discrepancy, comparisons between the effects of plain language on readers of simple and conceptually difficult documents may be limited.

V. Results

A. Description of the Sample

A total of 75 first year students were recruited and tested by asking questions about the content of one of four documents. Of the 75 completed questionnaires, three had missing data and were deemed to be invalid. Therefore a total of 72 questionnaires were analyzed, with a total of eighteen completed questionnaires per document. There were 40 males in the study and 32 females. A number of different faculties were represented in the study (see Table 2).

Each participant was asked to record the time necessary to read the contract. The time required to read the documents was consistent between plain language and legalese contracts for both the lost bank cheque form and the loan guarantee. For instance, the average reading time of the lost bank cheque form was three minutes, regardless of whether the plain language or legalese version was read. As well, the average reading time of the guarantee was eleven minutes, regardless of the language used. Both versions of the bank cheque form were one page. In the case of the guarantee though, the plain language version was four times as long as the legal version. The plain language version was twelve pages long, while the legalese version was only three pages. It took participants the same amount of time to read twelve pages of plain language text as it did to read three pages of legalese text. However, as the results of the Flesch readability indicate, the plain language loan guarantee is easier to read than the legalese

guarantee. Therefore, increased document length might not necessarily mean increased reading time. It should be kept in mind however, that an increase in page length does not necessarily mean an increase in text. The plain language guarantee, while longer in length, included headings and larger type size than the legalese version.

B. Actual Comprehension

To determine whether the language used in a document (plain language or legalese) affected comprehension, and whether there was any interaction between language used and conceptual difficulty of the content of the document (simple or difficult) comprehension scores were entered into a 2 x 2 factorial analysis of variance. As expected, a main effect for language was revealed ($F(1,71) = 50.45$, $p < .001$). Overall, comprehension scores for the plain language versions of the documents were significantly higher (mean = 75.83) than for the legalese versions (mean = 42.47) (see Figure 1).

Planned comparisons supported the hypothesis that there would be a statistically significant difference between the plain language and legalese groups in the average content comprehension scores on a simple document ($t(34) = 4.59$, $p < .001$). The participants who read the plain language version of a lost bank cheque document scored significantly higher (mean = 73.89) on a content comprehension test than the participants who read the legalese version of the document (mean = 41.11).

Similarly a planned comparison revealed a statistically significant difference in average content comprehension scores between the plain language and legalese groups who read a difficult document ($t = 5.56$, $p < .001$). The participants who read the plain language version of a loan guarantee scored significantly higher (mean = 77.78) on a content comprehension test than the participants who read the legalese version of the guarantee (mean = 43.84).

Although a strong relationship emerged between the language used and comprehension, there was no significant interaction effect between the language used and the conceptual complexity of the document ($F<1$). Contrary to the prediction, plain language seemed to have the same effect on the comprehension of simple documents as on the comprehension of difficult documents. However, this may have resulted from using different instruments for the two types (bank cheque and guarantee) of documents.

C. Perceived Comprehension

To determine whether language used and the conceptual complexity of the document had an effect on respondents' perceptions of the
(a) difficulty of syntax used, (b) conceptual difficulty and (c) overall difficulty, 2 x 2 factorial analyses of variance were conducted for each of the three dependent variables. Analyses revealed main effects for language used for all three dependent variables; no main effects for complexity of the document on any of the

three dependent variables; and no interaction between complexity of the document and language used on any of the three dependent variables.

A main effect for language used on perceived difficulty of syntax was revealed ($F(1, 71) = 42.31$, $p < .001$). Overall, respondents perceived the syntax used in plain language documents to be less difficult to understand (mean = 3.00) than the language in legal documents (mean = 4.42) (see Figure 2).

A main effect for language used on perceived conceptual difficulty was revealed ($F(1,71) = 11.56$, $p < .001$). Overall, respondents perceived the plain language versions to be easier to understand (mean = 3.39) than the legal counterparts of both documents (mean = 4.1) (see Figure 3).

A main effect for language used on perceived overall difficulty was revealed ($F(1,71) = 31.41$, $p < .001$). Respondents perceived the legalese documents to be more difficult overall (mean = 4.61) than the plain language documents (mean = 3.50) (see Figure 4).

VI. Discussion, Implications and Recommendations for Future Research

A. Discussion

As predicted, plain language increased actual comprehension levels of consumer documents. The increase in comprehension was apparent in both conceptually simple and conceptually difficult documents. The recipients of the plain language versions of either document scored higher on content comprehension tests than the recipients of the legalese versions. The plain language groups averaged a greater number of correct responses on questions pertaining to a) the information required to complete the document, b) the content of the contract, or c) the implications of signing the contract.

Researchers have previously argued that certain components of a text, components which are inherent in plain language, facilitate information processing. Apparently, the information found in the plain language contracts was processed by the reader more effectively than the information found in the legalese versions, as evidenced by the increased comprehension scores. Readers of the plain language documents were more successful in manipulating and integrating the content of the documents in order to correctly answer the comprehension questions. This finding is consistent with information processing theory in that familiar vocabulary will facilitate the processing and transfer of information to long-term memory where it can be used for problem solving.

In a previous study, Masson and Waldron (in press) argued that legal concepts might be too difficult for the average reader, no matter how plainly these concepts are expressed. However, the results from this study suggest that readers are able to extract and manipulate even complex information from a document when the document facilitates information processing by providing information plainly and with explanations and examples. That is, the results of this study indicate that even complex documents can be made more comprehensible when converted to plain language.

Some have argued that plain language documents are more economical than legalese documents since consumers will fill out forms correctly the first time (Elliot, 1991; Vale, 1992). The results of this study suggest that consumers do in fact understand plain language documents better than legalese documents, and understand what information is required from them in order to correctly complete the form. This was evidenced by the greater number of correct responses on the content comprehension questionnaires by the participants who received the plain language documents.

However, in addition to saving time and money, if consumers are able to fill forms out correctly themselves, they may experience a feeling of empowerment. They will not have to ask for help from busy salespeople, which can be both frustrating and embarrassing. This study suggests that readers can understand the content of very conceptually difficult documents when written in plain language, which again may facilitate empowerment for the consumer. In addition,

understanding the terms of a contract will allow consumers to discuss, and perhaps negotiate, the terms of the agreement.

The results indicated that participants were better able to identify the terms of the agreement, as well as determine the implications of entering the plain language contract. This finding supports the arguments that plain language documents can facilitate consumer decision making (Canadian Bar Association and The Canadian Bankers' Association, 1990) and assist consumers in comparing goods and services (Ferry & Teitelman, 1980). Understanding the terms of contracts allows for the intensive information processing functions which are required in order to draw these inferences and make comparisons.

Barriers to comprehension have been argued to include difficult and unfamiliar vocabulary. These barriers can be real, as in the case of terminology which can not be understood by the reader, or perceived, as in the case of cluttered, unorganized text. The results of this study indicate that these barriers exist, but comprehension and subsequent processing can be facilitated by using common terminology and an organized text.

In addition to actual comprehension, plain language was shown to have an effect on perceived comprehension of documents. In general, participants not only were better able to understand the terms and conditions of contracts when presented in plain language, but the participants who read the plain language versions rated the language used in these documents as easier to understand than the respondents who read the legalese versions. As reader perception is a

determinant of whether or not material will be read and processed, the perception that plain language documents use language which is easy to understand might encourage consumers to read contracts before signing them. With respect to information overload, if readers perceive documents to be easy to understand, they will be more likely to allocate processing capacity to plain language documents.

The plain language documents also were perceived as being conceptually less difficult than the legalese documents. If readers do not think that they will be able to understand a document, they probably will not read it due to the processing capacity which would be required (Bettman, 1979). The use of familiar terminology in plain language documents helps the reader to understand difficult concepts, such as those found in the loan guarantee. The results from this study suggest that, although legal concepts may be conceptually difficult, if they are explained clearly using examples and definitions the reader may be in a better position to understand them. These findings indicate that even complex concepts can be presented in a manner which will facilitate reading and processing.

Plain language documents were perceived as being significantly easier to understand overall than legalese documents. Although this perception could encourage consumers to read plain language contracts, it could also have negative ramifications. Consumers might perceive extremely difficult legal documents to be relatively easy (conceptually), and may not give the agreement adequate consideration. Consumers might enter portentous contracts without consulting legal

counsel if they perceive the document to be understandable. Obviously this could have serious repercussions for the unwary consumer.

Consumers also may experience a disadvantage in court if they sign a plain language document and then fail to comply with the terms of the agreement. Studies have shown that judges will hold consumers more accountable for their actions when the contract is written in plain language (Thomas, 1984). Again, although understanding was shown to increase with plain language documents, any misinterpretation of the content could result in more serious consequences for consumers than if they had signed a legalese document. As the results of this study indicate, although comprehension increased with plain language, there was still misunderstanding with the plain language documents.

Currently, people do not expect to be able to understand many legal documents. Although plain language contracts may empower some readers by facilitating comprehension, they may disable others. The language used in contracts is technical and, without a legal background, difficult to interpret. Although it can be uncomfortable for people to admit that they do not understand a concept, with complex legal documents this confusion can be rationalized by the reader. In other words, the confusion is due to the complexity of the document, not the inability of the reader.

The findings of this research indicate that plain language documents are perceived to be easier to understand than legal documents. If a consumer reads a plain language document but does not understand it, admitting this confusion

may be demeaning to him/her. In other words, consumers may partially understand the contract, but may not want to ask for clarification for fear of looking ignorant, since the document is written using "simple" terminology. This study found that participants understood the plain language documents better than the legalese documents, but only one person out of 75 scored 100% on the content comprehension test. Not surprisingly, the respondent who answered all the questions correctly received the simplest document--the plain language lost bank cheque form. Therefore, there was still a lack of awareness of the terms of the contracts, even when written plainly.

The participants were debriefed at the conclusion of the testing session. During this time participants were free to ask questions and voice comments regarding the documents and the experiment. These discussions contributed further insight into readers' perceptions of both traditional legalese and plain language documents.

The debriefing session was the first opportunity for the participants to directly compare the different types of contracts. Many participants indicated a preference for the plain language version of both the bank cheque and the loan guarantee. When questioned about the basis for the preference many participants alluded to the wording, the titles and the explanations of terms in the plain language versions. They seemed to appreciate the examples and explanations in the guarantee, and many suggested that they would not have understood this document without these examples.

Participants who received legalese versions reported feeling frustrated and confused. Many stated that they tried to read the document several times, but simply could not understand it. Participants who read the legalese version of the lost bank cheque form indicated that the abundance of the word 'said' in the document was annoying and confusing. The presence of archaic legal terms and repetition of terms can inhibit comprehension by frustrating the reader.

Some participants stated that they had originally found the plain language documents to be 'somewhat' challenging until they compared them to the legalese counterpart. The majority of the participants stated that they would prefer a plain language document in an actual purchase situation. They seemed to feel that they, as consumers, should have the opportunity to understand the agreements that they enter.

On the other hand, a few participants stated that they would not feel secure signing a contract that did not look legitimate. They seemed to feel that the plain language versions were missing something. These participants felt that if a great deal of money was involved, they would want all the legal protection available, especially in the contract. The concerns of these participants reflect the argument against plain language that simple documents will lead to increased litigation due to misinterpretation (Goldstein, 1989). Since legal contracts are assumed to be precise, some individuals may feel more cognitively comfortable signing a legal document, even if they do not understand it.

B. Implications

The results of this study indicate that plain language can increase reader comprehension of legal contracts. As well, plain language documents can influence reader perception of the documents. This study provides evidence that plain language can facilitate understanding of even complex documents. However, these findings are preliminary and should be interpreted carefully.

Plain language in consumer documents has been legislated in many provinces, including Alberta. This legislation was passed without any evidence about the impact of plain language on consumers. Although this study found that comprehension increased significantly with plain language, plain language documents will not independently create responsible consumers. In this study, participants had incentive to read the contract. In reality, many consumers do not read the documents they sign, and may not change this behaviour simply because the format of the contract has changed. Certainly, plain language documents may facilitate reading by appearing comprehensible, but this is not a guarantee that consumers will, in fact, read them or use the information the documents contain even if they do read and understand them. Government policy makers should consider educating consumers on the responsibilities involved in entering legal agreements in addition to legislating plain language documents.

Although the plain language documents facilitated comprehension, some important questions were answered incorrectly. The average comprehension score for the plain language versions of both the simple and complex document was

about 78 percent. This score might be lower if the general population was sampled. Therefore, the plain language versions were not totally understandable, or at least did not make all of the important concepts completely obvious. Obviously, care must be taken before governing bodies advocate plain language. A minority of consumers may be disadvantaged by plain language documents if they still do not understand the terms of binding agreements. Some have argued that the court system will hold consumers more accountable for their actions under plain language documents (Thomas, 1984). Consumers may be held more accountable for their actions, yet may not completely understand the content and may feel unable to ask for assistance.

The argument that legal documents may be too complex to be translated to everyday language was rejected by a team of researchers from the Alberta Law Reform Institute at the University of Alberta. They successfully transformed a very conceptually complex contract (the loan guarantee used in this study) into plain language while attempting to retain the legal content of the agreement.[1] Albeit, the length of the document increased from three pages to twelve, but the inclusion of examples and the improved layout helped the participants to understand the content of the agreement.

The increased length of the revised document may deter some people from reading the document in an actual purchase situation. However, the results from

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[1] However, the plain language loan guarantee has not been tested in court so, at this time, it cannot be said with certainty that the plain language version retained all of the original legal content.

this study indicated that participants required the same amount of time to read the longer plain language version as to read the legalese version. As well, if at any time the document had to be referred to, a plain language document would conceivably be easier for the consumer to decipher than a legalese document.

A key component of the plain language issue is that many consumers do not read contracts, but rather rely on the advice of the professional selling the product or service. Plain language documents mayl not drastically change the behaviour of many consumers. Many consumers are simply not interested in taking the time to shop around for the best deal, especially in terms of financial products. Policy-makers and plain language proponents must keep the reality of the marketplace in mind when advocating the use of plain language in consumer documents.

C. Recommendations for Future Research

As revising legal documents to plain language can be a tedious and costly process, it would be prudent to examine the costs involved in revisions, and subsequent consumer response to plain language documents. Many financial institutions are using "new" plain language documents. Customers of these institutions could be surveyed to determine whether or not they noticed the new forms. Perhaps customers could be questioned on the importance they place on understanding documents. If the costs of revising documents are high, but consumers are ambivalent toward understanding the documents, the support

behind the plain language movement may be misdirected. Promoting consumer education might be more effective.

The utilization of university students as participants in this study provided a control for education. The logical progression from this research is to test a sample of the general population using similar testing procedures. All University students have at least twelve years of education, whereas the reading level of the average population is approximately eight years of formal education (Block, 1983). In addition, participants from the general public might be older and have more interest in and experience with legal contracts. Since the mature members of the general public are the typical users of legal contracts, research should be aimed at determining the effect of plain language on this segment of the population.

In addition, "real" decision making situations differ from experimental ones. The participants in this study were motivated to read the contracts in order to answer the questions. In a real situation, the consumer may not take the time to read the contract regardless of the format. A study aimed at examining the responses of actual purchasers could reveal vital information on how consumers use various types of contracts. Clearly actual consumer opinions of the type of contract they prefer should be examined.

In addition to legal contracts, consumers encounter numerous documents in the marketplace. Additional research could evolve from testing legal contracts to examining the effect of plain language on other consumer documents, such as instructions for assembling products or for administration of prescription medicines.

If future studies also reveal that plain language increases comprehension in a variety of consumer documents, plain language proponents will have the presently lacking but necessary support for their arguments.

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Table 1 – Flesch readability scores for each document

Document	Flesch Score (0 – difficult, 100 – easy)
Plain Language Bank Cheque	80
Legalese Bank Cheque	0
Plain Language Loan Guarantee	67
Legalese Loan Guarantee	0

Table 2 – Percentage of participants from each faculty compared to the University population

Faculty	Participants (% of study)	All 1st Year Students (% of University Population)
Agriculture/Forestry/ Human Ecology	29%	7%
Arts	17%	22%
Business	6%	6%
Education/ Physical Ed. and Recreation	3%	3%
Engineering	6%	8%
Nursing	4%	3%
Science	35%	28%

Figure 1

Mean Actual Comprehension Scores

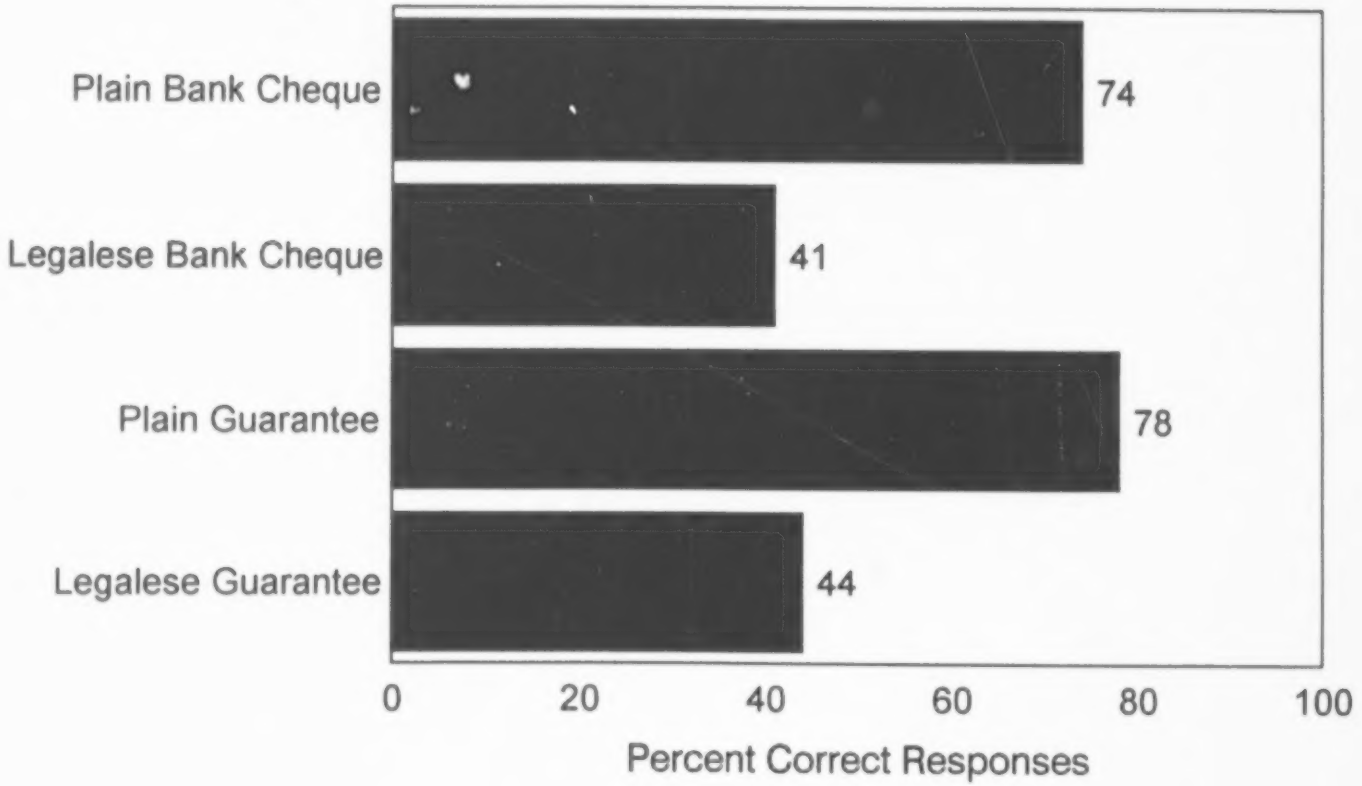


Figure 2

Mean Perceived Difficulty of Language

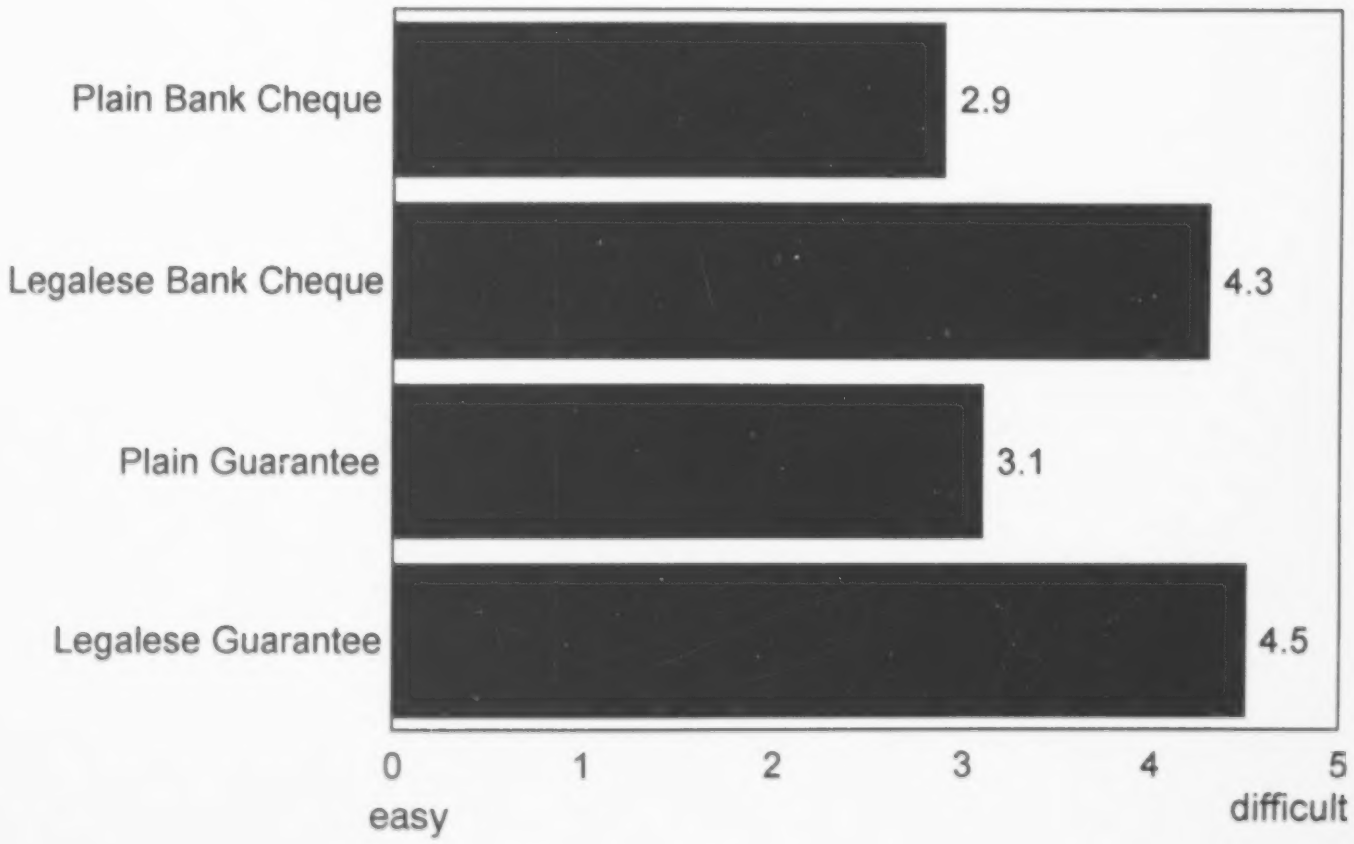


Figure 3

Mean Perceived Difficulty of Concepts

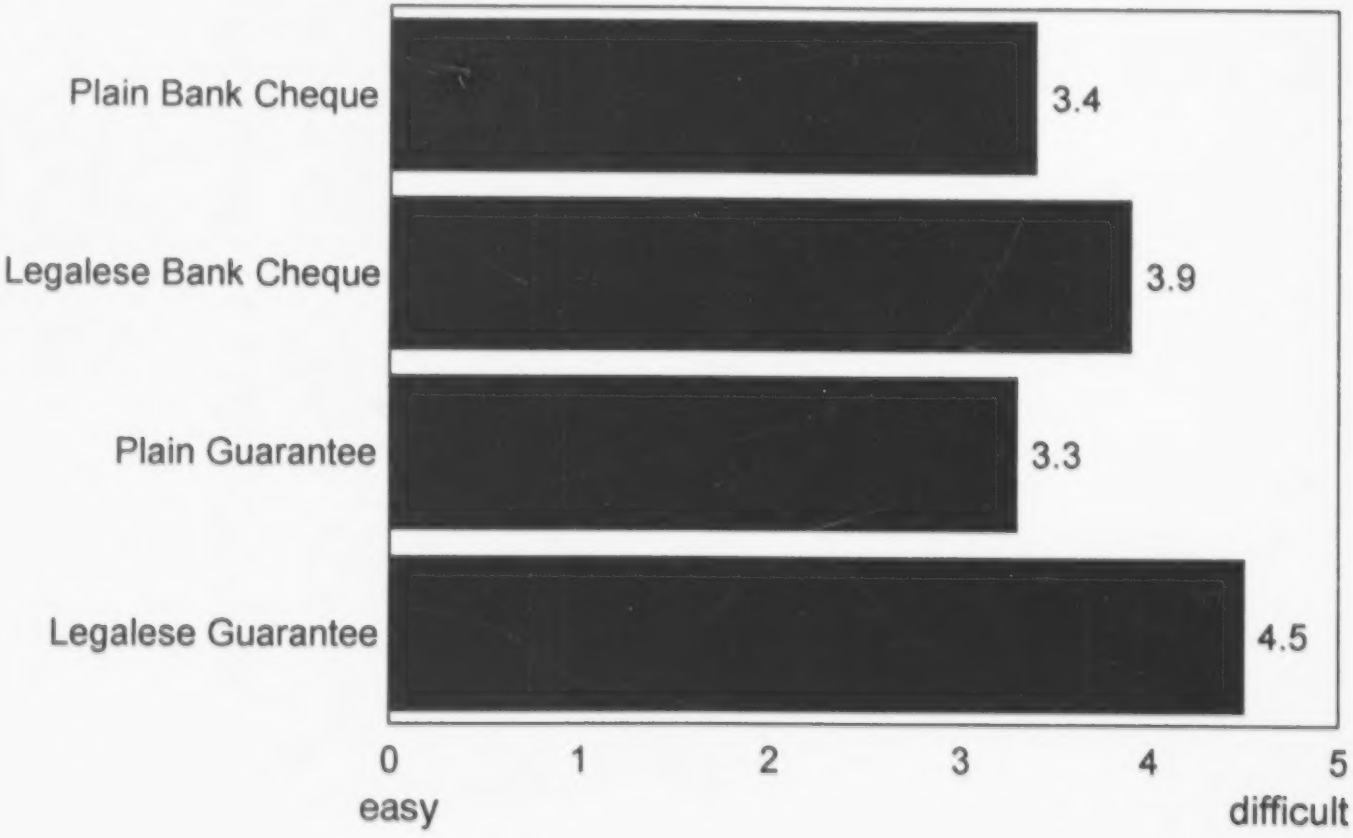
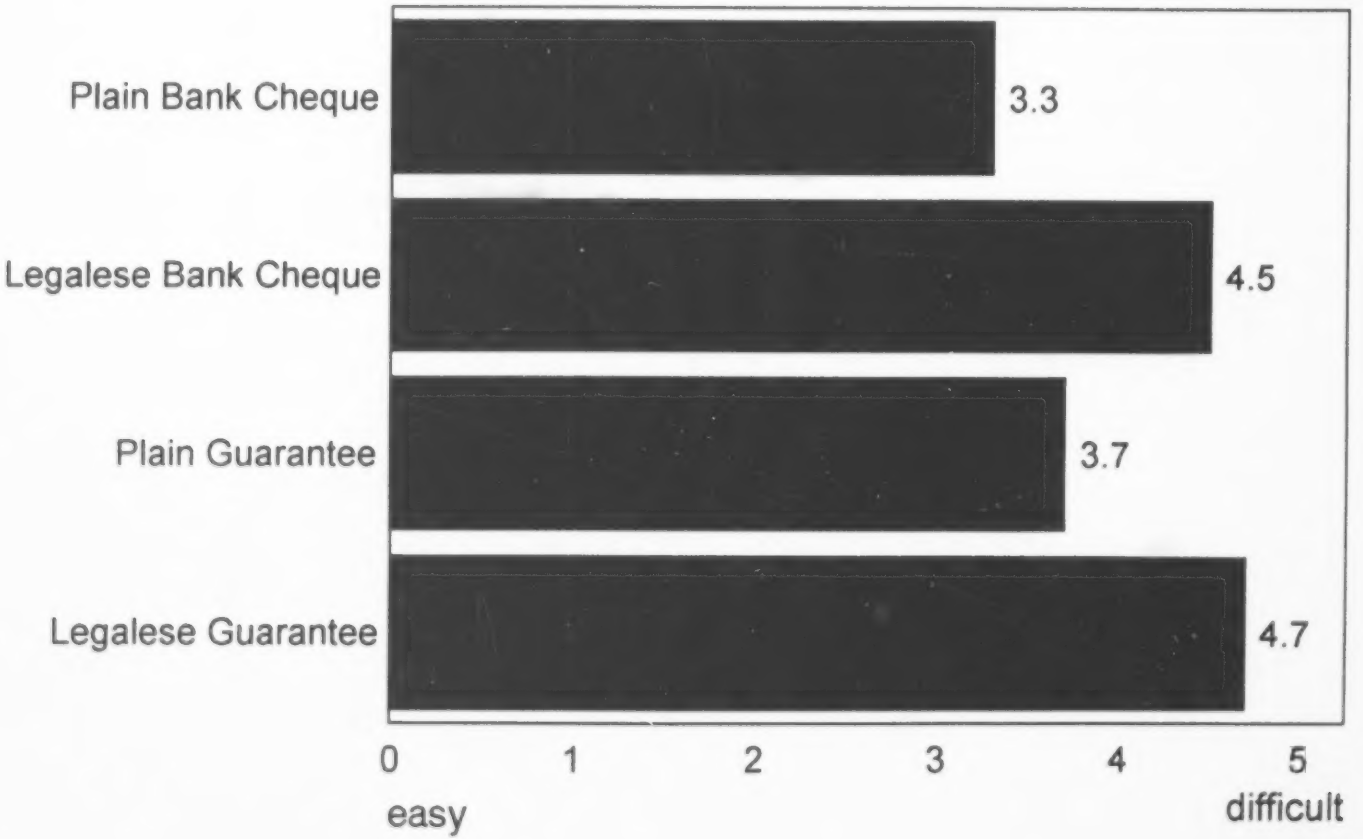


Figure 4

Mean Perceived Overall Difficulty



Appendix A

GUARANTEE AND POSTPONEMENT OF CLAIM /66

To: ABC **BANK**

FOR VALUABLE CONSIDERATION, receipt hereof is hereby acknowledged, the undersigned and each of them (if more than one) hereby jointly and severally guarantee(s) payment on demand to ABC Bank (hereinafter called the "Bank") of all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by

Jodi "X"

(hereinafter called the "customer") to the Bank or remaining unpaid by the customer to the Bank, heretofore or hereafter incurred or arising and whether incurred by or arising from agreement or dealings between the Bank and the customer or by or from any agreement or dealings with any third party by which the Bank may be or become in any manner whatsoever a creditor of the customer or however otherwise incurred or arising anywhere within or outside the country where this guarantee is executed and whether the customer be bound alone or with another or others and whether as principal or surety (such debts and liabilities being hereinafter called the "liabilities"); the liability of the undersigned hereunder being limited to the sum of

(*Insert rate over Prime or for fixed rate, delete 'the Bank's Prime Interest Rate per annum in effect from time to time plus')

One hundred thousand ($100,000) Dollars together with interest thereon from the date of demand for payment at a rate equal to the Bank's Prime Interest Rate per annum in effect from time to time plus* 10% percent per annum as well after as before default and judgement.

AND THE UNDERSIGNED AND EACH OF THEM (IF MORE THAN ONE) HEREBY JOINTLY AND SEVERALLY AGREE(S) WITH THE BANK AS FOLLOWS:

(1) The Bank may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word as used herein includes other guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from or from perfecting securities of, cease or refrain from giving credit or making loans or advances to, accept compositions from and otherwise deal with, the customer and others and with all securities as the Bank may see fit, and may apply all moneys at any time received from the customer or others or from securities upon such part of the liabilities as the Bank deems best and change any such application in whole or in part from time to time as the Bank may see fit, the whole without in any way limiting or lessening the liability of the undersigned under this guarantee, and no loss of or in respect of any securities received by the Bank from the customer or others, whether occasioned by the fault of the Bank or otherwise, shall in any way limit or lessen the liability of the undersigned under this guarantee.

(2) This guarantee shall be a continuing guarantee and shall cover all the liabilities, and it shall apply to and secure any ultimate balance due or remaining unpaid to the Bank.

(3) The Bank shall not be bound to exhaust its recourse against the customer or others or any securities it may at any time hold before being entitled to payment from the undersigned of the liabilities. The undersigned renounce(s) to all benefits of discussion and division.

(4) The undersigned or any of them may, by notice in writing delivered to the Manager of the branch or agency of the Bank receiving this instrument, determine their or his/her liability under this guarantee in respect of liabilities thereafter incurred or arising but not in respect of any liabilities theretofore incurred or arising even though not then matured, provided, however, that notwithstanding receipt of any such notice the Bank may fulfill any requirements of the customer based on agreements express or implied made prior to the receipt of such notice and any resulting liabilities shall be covered by this guarantee; and provided further that in the event of the determination of this guarantee as to one or more of the undersigned it shall remain a continuing guarantee as to the other or others of the undersigned.

(5) All indebtedness and liability, present and future, of the customer to the undersigned or any of them are hereby assigned to the Bank and postponed to the liabilities, and all moneys received by the undersigned or any of them in respect thereof shall be received in trust for the Bank and forthwith upon receipt shall be paid over to the Bank, the whole without in any way limiting or lessening the liability of the undersigned under the foregoing guarantee; and this assignment and postponement is independent of the said guarantee and shall remain in full effect notwithstanding that the liability of the undersigned or any of them under the said guarantee may be extinct. The term "Liabilities", as previously defined, for purposes of the postponement feature provided by this agreement, and this section in particular, includes any funds advanced or held at the disposal of the customer under any line(s) of credit.

(6) This guarantee and agreement shall not be affected by the death or loss or diminution of capacity of the undersigned or any of them or by any change in the name of the customer or in the membership of the customer's firm through the death or retirement of one or more partners or the introduction of one or more other partners or otherwise, or by the acquisition of the customer's business by a corporation, or by any change whatsoever in the objects, capital structure or constitution of the customer, or by the customer's business being amalgamated with a corporation, but shall notwithstanding the happening of any such event continue to apply to all the liabilities whether theretofore or thereafter incurred or arising and in this instrument the word "customer" shall include every such firm and corporation.

(7) This guarantee shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Bank, and all dividends, compositions, proceeds of security valued and payments received by the Bank from the customer or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the undersigned to claim in reduction of the liability under this guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Bank or proceeds thereof, and the undersigned shall have no right to be subrogated in any rights of the Bank until the Bank shall have received payment in full of the liabilities.

(8) All moneys, advances, renewals and credits in fact borrowed or obtained from the Bank shall be deemed to form part of the liabilities, notwithstanding any lack or limitation of status or of power, incapacity or disability of the customer or of the directors, partners or agents thereof, or that the customer may not be a legal or suable entity, or any irregularity, defect or informality in the borrowing or obtaining of such moneys, advances, renewals or credits, the whole whether known to the Bank or not; and any sum which may not be recoverable from the undersigned on the footing of a guarantee shall be recoverable from the undersigned and each of them as sole or principal debtor in respect thereof and shall be paid to the Bank on demand with interest and accessories.

(9) This guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Bank, and any present or future obligation to the Bank incurred or arising otherwise than under a guarantee, of the undersigned or any of them or of any other obligant, whether bound with or apart from the customer; excepting any guarantee surrendered for cancellation on delivery of this instrument.

(10) The undersigned and each of them shall be bound by any account settled between the Bank and the customer, and if no such account has been so settled immediately before demand for payment under this guarantee any account stated by the Bank shall be accepted by the undersigned and each of them as conclusive evidence of the amount which at the date of the account so stated is due by the customer to the Bank or remains unpaid by the customer to the Bank.

(11) This guarantee and agreement shall be operative and binding upon every signatory thereof notwithstanding the non-execution thereof by any other proposed signatory or signatories, and possession of this instrument by the Bank shall be conclusive evidence against the undersigned and each of them that this instrument was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with, unless at the time of receipt of this instrument by the Bank each signatory thereof obtains from the Manager of the branch or agency of the Bank receiving this instrument a letter setting out the terms and conditions under which this instrument was delivered and the conditions, if any, to be observed before it becomes effective.

(12) No suit based on this guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectually made upon any guarantor if and when an envelope containing such demand, addressed to such guarantor at the address of such guarantor last known to the Bank, is posted, postage prepaid, in the post office, and in the event of the death of any guarantor demand for payment addressed to any of such guarantor's heirs, executors, administrators or legal representatives at the address of the addressee last known to the Bank and posted as aforesaid shall be deemed to have been effectually made upon all of them. Moreover, when demand for payment has been made, the undersigned shall also be liable to the Bank for all legal costs (on a solicitor and customer basis) incurred by or on behalf of the Bank resulting from any action instituted on the basis of this guarantee. All payments hereunder shall be made to the Bank at a branch or agency of the Bank.

(13) This instrument covers all agreements between the parties hereto relative to this guarantee and assignment and postponement, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not embodied herein.

(14) This guarantee and agreement shall extend to and enure to the benefit of the Bank and its successors and assigns, and every reference herein to the undersigned or to each of them or to any of them, is a reference to and shall be construed as including the undersigned and the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned or of each of them or of any of them, as the case may be, to and upon all of whom this guarantee and agreement shall extend and be binding.

(15) Prime Interest Rate is the annual rate of interest announced from time to time by ABC Bank as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada.

Applicable in the province of Quebec.

(16) The undersigned has expressly requested that this document be drawn up in the English language. Le(s) soussigné(s) a(ont) expressément demandé que ce document soit rédigé en langue anglaise.

(Insert the Province in which the branch is located)

(17) This Guarantee and Postponement of Claim shall be governed by and construed in accordance with the laws of the Province of Alberta. ("Jurisdiction"). The undersigned irrevocably submits to the courts of the Jurisdiction in any action or proceeding arising out of or relating to this Guarantee and Postponement of Claim, and irrevocably agrees that all such actions and proceedings may be heard and determined in such courts, and irrevocably waives, to the fullest extent possible, the defence of an inconvenient forum. The undersigned agrees that a judgment or order in any such action or proceeding may be enforced in other jurisdictions in any manner provided by law. Provided, however, that the Bank may serve legal process in any manner permitted by law or may bring an action or proceeding against the undersigned or the property or assets of the undersigned in the courts of any other jurisdiction.

GIVEN UNDER SEAL at _____

this _____ day of _____ 19 ____

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

_____ _____ Seal
Witness

_____ _____ Seal
Witness

Appendix B

GUARANTEE

given

to

ABC BANK

This is a demonstration document prepared
by the
Alberta Law Reform Institute
402 Law Centre, University of Alberta
Edmonton, Alberta, Canada
T6G 2H5

We gratefully acknowledge that this project
has been funded
by the
ALBERTA LAW FOUNDATION

A brief explanation of this agreement

This agreement is called a guarantee. In it you promise to pay amounts owed to the ABC Bank by someone else.

Contents

PART ONE Basic Obligations

1 My promise to pay
2 My total liability under this guarantee
3 Consideration
4 This is a continuing guarantee
5 Determining this guarantee

PART TWO Special Agreements

6 This guarantee is not affected by what the Bank does or fails to do
7 Future events will not alter my obligations
8 I am liable even if the customer is not

PART THREE Enforcing this Guarantee

9 This guarantee will be unconditional unless I take certain steps now
10 The Bank can seek payment from me first
11 I cannot dispute statements of amounts owing
12 The Bank's demand for payment
13 I am liable for legal costs
14 How I make payment to the Bank
15 My right of subrogation is limited

PART FOUR Assignment and Postponement

16 Assignment and postponement

PART FIVE Miscellaneous

17 This guarantee is in addition to any other security the Bank has
18 This guarantee may be assigned by the Bank
19 This guarantee also binds my heirs and successors
20 Definition of person
21 The law that applies
22 Headings and examples used in this guarantee
23 The entire agreement is in this document
24 This agreement is in English

Examples and Explanations

THE AGREEMENT

/73

If there is more than one guarantor, then "jointly and individually" means that the Bank can take legal action under this guarantee against any of the guarantors or all of them, as the Bank chooses. Even though the Bank takes legal action against one or more guarantors, it can later take legal action against any other guarantor to obtain any amount still owing.

The person who signs this guarantee ("guarantor"), and (if more than one person signs) each of them jointly and individually, agrees with the ABC Bank ("Bank") as follows:

PART ONE Basic Obligations

1 My promise to pay

The way in which the Bank makes the demand is described in Clause 12.

1.1 I agree to pay the Bank, on demand, all the customer's liabilities to the Bank, to the limit set out in Clause 2.

1.2 "customer" means

Jodi "X"

Clause 8.1 deems certain things to be included in the definition of "customer's liabilities to the Bank".

1.3 "customer's liabilities to the Bank" means all debts and liabilities of any kind owing or remaining unpaid by the customer to the Bank regardless of

(a) when, where, or how they occur
(b) whether they are the customer's alone or are shared with others, and
(c) whether they arise by reason of guarantee or indemnity.

Among other things, I am guaranteeing payment of the customer's liability to the Bank that might arise from a guarantee the customer has already given or might give in the future.

2 My total liability under this guarantee

2.1 My total liability under this guarantee is $100,000 plus any interest payable under Clause 2.2 and legal costs payable under Clause 13.

Examples and Explanations

2.2 I will pay interest on any amount the Bank demands that I pay, from the date of demand for payment at the rate of ~~(the Bank's prime interest rate per annum in effect from time to time plus)~~ 10% percent annually. Interest is payable both before and after default, and both before and after judgment.

2.3 The Bank's prime interest rate is the annual rate of interest announced from time to time by the Bank as a reference rate then in effect for interest payable on Canadian dollar commercial loans in Canada.

3 Consideration

An agreement is binding on the parties to it only when it is either made under seal or supported by some valuable consideration. Valuable consideration varies from situation to situation. It may be the arrangement between the Bank and the customer to lend money or to give the customer a longer period in which to pay existing debts. When I acknowledge receipt of valuable consideration, I acknowledge that there is nothing further the Bank must do in order for this guarantee to be binding and enforceable against me.

3.1 I acknowledge that the Bank has given valuable consideration for this guarantee.

4 This is a continuing guarantee

4.1 This is a continuing guarantee, and it applies to any ultimate balance owing or remaining unpaid by the customer to the Bank. My obligations under this guarantee continue

(a) regardless of the payment of any portion of the customer's liabilities to the Bank, and

(b) even if, at any time, the customer's liabilities to the Bank are completely satisfied.

Assume the customer borrows $50,000 from the Bank shortly after I give this guarantee. The customer repays the loan within 12 months. Then without my knowledge, the customer borrows a further $150,000 from the Bank and fails to repay that loan. This guarantee applies to the second $150,000 loan.

5 Determining this guarantee

Determination of a guarantee is a process whereby I may limit my exposure under this guarantee. Even though I deliver a notice of determination to the Bank, I may still be liable under this guarantee.

5.1 I may determine my obligations under this guarantee by delivering written notice to the manager of the branch or agency of the Bank that receives this guarantee.

Assume the Bank has given a letter of credit to another on behalf of the customer before notice of determination is received. This guarantee would cover any moneys paid under the letter of credit at any time after notice of determination is received by the Bank.

5.2 The notice of determination ends my obligations under this guarantee in respect of the cutomer's liabilities to the Bank incurred or arising after delivery of the notice, but the notice does not affect my obligations to the Bank as guarantor of the customer's liabilities to the Bank incurred or arising
(a) before the manager has received notice, or
(b) from any specific or implied agreements made between the Bank and the customer before the notice is received and fulfilled after the notice is received.

5.3 If another guarantor determines his or her obligations under this guarantee, my obligations under this guarantee are not determined and this shall remain a continuing guarantee as it affects me.

PART TWO Special Agreements /76

6 This guarantee is not affected by what the Bank does or fails to do

6.1 My obligations under this guarantee are not reduced
(a) by anything the Bank does or omits to do in its dealings with the customer, or
(b) by anything the Bank does or fails to do with any security that it has for repayment of the customer's liabilities to the Bank.

6.2 "Security" includes any guarantee, pledge, assignment, mortgage, lien, and security interest of any kind.

Some examples that illustrate the acts or omissions of the Bank that do not reduce my obligations to the Bank are

(a) The Bank can allow the customer to be in default of the customer's liabilities to the Bank as often and for as long as the Bank wants to, without the Bank taking any action against the customer.

(b) The Bank can renew loans to the customer, or lend more money to the customer, even if it seems obvious that the customer will be unable to repay the Bank.

(c) The Bank can stop granting credit or loans, or making advances to the customer, whenever it wants to.

(d) The Bank can, but need not, take securities from the customer or others, or may give up those securities or any existing securities, as the Bank sees fit.

(e) The Bank can accept compositions from and otherwise deal with the customer and others and with all securities, as the Bank sees fit.

(f) The Bank can release or discharge the customer from any of the customer's liabilities to the Bank, and may release or discharge any securities given by the customer or by any other person, even if this leaves me as the only guarantor of the customer's liabilities to the Bank, and even if those liabilities are all incurred by the customer after this guarantee is signed.

(g) The Bank can use money received from the customer, or from other persons, or from securities, towards paying off whatever part of the customer's liabilities the Bank chooses.

(h) The Bank can fail to perfect, lose, or otherwise give up or render unenforceable any other securities it may have at any time securing the customer's liabilities to the Bank, through accident, negligence or conscious decision, even if this leaves me solely responsible for the customer's liabilities to the Bank.

Examples and Explanations

7 Future events will not alter my obligations

My obligations under this guarantee are not affected if I die or become mentally incompetent.

7.1 This guarantee is not affected by the death or any change in capacity of any guarantor.

7.2 This guarantee is not affected by
(a) any change in the customer's name
(b) any change in the membership of the customer's firm, if the customer is a partnership
(c) the acquisition of the customer's business by a corporation
(d) any change in the objects, capital structure or constitution of the customer, if the customer is a corporation, or
(e) the amalgamation of the customer's business with a corporation.

If the customer is a corporation that changes its name, then this guarantee will cover all liabilities incurred by the corporation under both names.

7.3 If any of the events described in Clause 7.2 do occur, this guarantee continues to apply to all of the customer's liabilities to the Bank arising either before or after those events, and then the word "customer" in this guarantee includes every firm or corporation referred to in Clause 7.2.

8 I am liable even if the customer is not

It is irrelevant how the customer obtains money from the Bank and whether or not the Bank should have lent it to the customer. The money is included in the customer's liabilities to the Bank and is subject to this guarantee.

8.1 The customer's liabilities to the Bank are deemed to include all moneys, advances, renewals and credits in fact borrowed or obtained from the Bank, whether or not
(a) there was any irregularity, defect, or informality in the borrowing or obtaining of them, or
(b) there is any lack or limitation of power, incapacity or disability of the customer or of the directors, partners or agents of the customer, or
(c) the customer is a legal entity, or capable of being sued,
and whether or not the Bank knew about any of these things.

8.2 If the Bank cannot recover the customer's liabilities to the Bank from me as guarantor, then it is entitled to recover them from me as debtor, on demand, with interest.

PART THREE Enforcing this Guarantee

9 This guarantee will be unconditional unless I take certain steps now

If I expect that any other person will also sign this guarantee, and they do not do so, I am still liable under this guarantee. The only way to prevent this is by obtaining a letter as described in Clause 9.2

9.1 This guarantee is binding upon me even if it is not executed by any other person.

9.2 The Bank's possession of this guarantee is conclusive evidence against me that this guarantee is effective immediately and unconditionally, unless at the time I sign this guarantee I obtain a letter

(a) from the manager of the branch or agency of the Bank receiving this guarantee

(b) setting out the terms and conditions under which this guarantee was delivered and the conditions to be observed before it becomes effective.

10 The Bank can seek payment from me first

The Bank may choose not to sue the customer at all and may collect the customer's liabilities to the Bank from me. I would then have to exercise my rights against the customer.

10.1 The Bank is not required to exhaust its remedies against the customer or to enforce any other obligation or security it may have before being entitled to payment from me of the customer's liabilities to the Bank.

The renunciation is a reference to Articles 1941-1947 of Section 1, Chapter II, Title XI of the Quebec Civil Code. It applies only when Quebec law applies to this guarantee.

10.2 I renounce all benefits of discussion and division.

11 I cannot dispute statements of amounts owing

11.1 I am bound by any account settled between the Bank and the customer.

11.2 If no account has been so settled immediately before the Bank makes a demand for payment from me, then I will accept any statement by the Bank of the customer's liabilities to the Bank as conclusive evidence of the amount which, at the date specified in the statement, remains unpaid by the customer.

12 The Bank's demand for payment

12.1 The Bank will not start legal proceedings against me based on this guarantee until after it makes a demand for payment.

12.2 The Bank's demand for payment is made upon me if the demand is mailed to me in a properly stamped envelope at my address last known to the Bank, whether I receive it or not.

12.3 In the event of my death, the demand for payment is made if it is mailed to any of my heirs, executors, administrators, or legal representatives, in a properly stamped envelope at their address last known to the Bank, whether they receive it or not.

13 I am liable for legal costs

13.1 After the Bank's demand for payment, I will also be liable to the Bank for all legal costs resulting from any action based upon this guarantee.

13.2 The legal costs are those incurred by the Bank on a solicitor and client basis.

14 How I make payment to the Bank

14.1 I will make all payments under this guarantee to a branch or agency of the Bank.

Examples and Explanations

15 My right of subrogation is limited

In simplistic terms, "subrogation" is the legal right of one person to stand in place of another.

15.1 Until the Bank receives payment in full of the customer's liabilities to the Bank, I have no right to be subrogated in any of the rights of or security held by the Bank.

If I pay the full amount of my liability under this guarantee, but the customer still owes money to the Bank, I am not entitled to the benefit of any security held by the Bank until the Bank has received payment in full of the customer's liabilities to the Bank.

PART FOUR Assignment and Postponement

16 Assignment and postponement

If I have made a loan to the customer, the customer must pay its liabilities to the Bank before the customer pays the debt owed to me.

16.1 All present and future debts and liability of the customer to me are hereby assigned to the Bank and postponed to the customer's liabilities to the Bank.

16.2 If I receive any money from the customer, I will receive it in trust for the Bank and will immediately pay it to the Bank, without in any way reducing my obligations under this guarantee.

16.3 This assignment and postponement is independent of the other provisions of this guarantee and remains in full effect even if my obligations under any other clause of this guarantee may be extinct. For purposes of this postponement, the term "customer's liabilities to the Bank", as previously defined, includes any funds advanced or held at the disposal of the customer under any line of credit.

Examples and Explanations

PART FIVE Miscellaneous

17 This guarantee is in addition to any other security the Bank has

The term "security" is defined in Clause 6.2.

If I have previously given a guarantee of the customer's liabilities to the Bank, this guarantee does not replace the existing guarantee unless the Bank cancels and returns it to me.

17.1 This guarantee is in addition to and not in substitution for any other guarantee or any other security or obligation that I or any other person has given to the Bank, except for any guarantee surrendered for cancellation on delivery of this guarantee.

18 This guarantee may be assigned by the Bank

The rights of the Bank under this guarantee can be acquired by and enforced by others.

18.1 This guarantee may be assigned by the Bank and is for the benefit of the Bank and its successors or assigns.

19 This guarantee also binds my heirs and successors

19.1 This guarantee is also binding on my heirs, executors, administrators, legal representatives and successors.

20 Definition of person

20.1 Any reference to "guarantor", "person", "I", "me", and "they" shall include corporations as well as natural persons.

21 The law that applies

21.1 This guarantee is governed by and interpreted in accordance with the law of the Province of Alberta ("Jurisdiction").

21.2 I irrevocably submit to the courts of the Jurisdiction, even though that may be an inconvenient forum for me.

21.3 The Bank may bring an action against me in the courts of any other jurisdiction.

22 Headings and examples used in this guarantee

22.1 The headings in this guarantee are for convenience of reference only and do not affect the interpretation of any part of this guarantee.

22.2 The examples and explanations in this guarantee are intended to illustrate and explain the text, but if there is conflict between them and the text, the text prevails. The examples given are not exhaustive.

23 The entire agreement is in this document

23.1 This document contains all the agreements between the Bank and me about this guarantee. No other representation or promise concerning this guarantee affects or binds me or the Bank.

24 This agreement is in English

24.1 I have requested that this guarantee be drawn up in the English language. [statement must be repeated in French]

Signed and sealed on _____, 19_____

at _____ in the presence of

_____ _____

Witness Seal

_____ _____

Witness Seal

Appendix C

KNOW ALL MEN BY THESE PRESENTS that we

of

herein called the "Obligors", are held and firmly bound to ABC Bank in the sum of _____ Dollars of lawful money of the Dominion of Canada, to be paid to the said ABC Bank, or their certain attorney, successors or assigns, for which payment well and faithfully to be made, we bind ourselves jointly and severally and each and every of our heirs, executors and administrators, firmly by these presents, sealed with our seal, dated the day of _____ in the year of our Lord one thousand nine hundred and _____.

WHEREAS on or about the _____ day of _____ one thousand nine hundred and _____ the said Obligors issued a cheque on ABC Bank _____ in favour of _____ for the sum of _____ Dollars, said Cheque having been charged to the account of the said drawer with the said Bank.

AND WHEREAS _____ alleges that the said Cheque has been lost or mislaid, and has requested the said Bank to reverse in said account the charge of said Cheque so lost or mislaid as aforesaid, and the said Bank has consented to do so upon the said obligors executing these presents.

NOW THE CONDITION of the above written bond or obligation is that, if the above bounden obligors, or their or some or one of their heirs, executors or administrators, do and shall save harmless and keep indemnified the said ABC Bank, its successors and assigns, its lands and tenements, goods and chattels, of, from and against all claims and demands of any person or persons whomsoever claiming payment of any sum or sums of money upon or in respect of the said Cheque so lost or mislaid as aforesaid, and also from all actions, suits and other proceedings whatsoever, which at any time or times hereafter shall or may be brought or prosecuted against the said ABC Bank, its successors or assigns, upon the said Cheque so lost or mislaid as aforesaid, and also from all costs, damages, interest and expenses which they may bear or incur for or by reason of any such claim as aforesaid being made upon the said Cheque so lost or mislaid as aforesaid, then this obligation to be void, otherwise to be and remain in full force and virtue.

SIGNED, SEALED and DELIVERED
in the presence of

(SEAL)

Appendix D

Agreement For Lost Bank Cheque

Why I Am Signing This Form:

/86

* ABC Bank has certified a cheque or issued a bank draft (the "bank cheque"). Details concerning the bank cheque are listed below.

* The amount of the bank cheque has been paid to the Bank either from the account or in cash.

* The bank cheque has been lost, stolen or destroyed.

* I understand that it is impossible to "stop payment" on the bank cheque.

* Despite this, I request that the Bank certify or issue another bank cheque.

What I Am Promising the Bank

In return for the Bank certifying or issuing another bank cheque:

* I will immediately reimburse the Bank for:

    * the amount of the original bank cheque if it is presented to the Bank and is paid plus,

    * any loss or expense the Bank reasonably incurs due to that payment or due to any claims made in connection with the original bank cheque.

If more than one of us signs this form, the Bank may at its option require reimbursement in full from any one of us or a portion from each.

* I will immediately return the original bank cheque to the Bank if I recover it.

(All of the following must be completed)

Customer Signature: _____ Date _____

Customer Name: _____

Customer Signature: _____ Date _____

Account Number: _____

Amount of Bank Cheque: $ _____

Date of Original Bank Cheque: _____

Bank Cheque Payable to:

Appendix E

Information Sheet

You are invited to take part in a study designed to examine individual responses to different types of consumer contracts. This study is being conducted by a researcher in the Department of Human Ecology at the University of Alberta.

You will be given a consumer contract to read and a questionnaire which asks about the content of the contract. Your responses will be confidential, and you may withdraw from the study at any time, without any negative consequences. You will be given more information about the study once the questionnaire has been completed. This information will be given at the end of the study to prevent you from being influenced or biased by the researcher. The time required of you will be at most one hour (unless you wish to stay longer), but may be less. The results of this study will be important for consumers, and if you wish, you will be notified of the results.

Participants may enter a draw for $50.00 by filling out a separate entry form at the completion of the testing session. The entry forms are separate so that the entry forms will not be associated with the answer forms. Thank–you for your time!

Appendix F

Consumer Contract Consent Form

The nature of the study has been described to me, and I understand that more information will be given at the end of the testing session. I have been provided with an information sheet on the study, and I have read it. I understand that I am being asked to participate in a study which will require no more than one hour of my time (unless I choose to stay for a longer period). I understand that I will not be asked to identify myself on the questionnaire, and that my responses will be confidential. I also understand that if I want to, I can enter my name into a draw for a monetary prize. Other than this draw, I will not be paid for my participation.

I understand that I may keep a copy of the information sheet and this consent form, and I know that should I have more questions at any time I may contact the researcher or her advisor.

Tracy Heron (researcher) – 492–5141

Dr. Janet Fast (advisor) – 492–5768

I understand that the results of this study will be made available to me upon request. I also understand that I am free to withdraw from this project at any time without any negative consequences.

Signature of participant_____ Date_____1994

Signature of witness_____Date_____1994

Signature of researcher_____Date_____1994

Appendix G

***Please indicate whether you have form 84 or 85. (This number is found in the top right hand corner of the your other document). I have document # ____.

* I am in the Faculty of _____

You will be asked a number of questions regarding the content of the contract in front of you. Each question asks you to indicate where in the document you found the information to answer the question. Each paragraph in the contract is numbered on the left hand margin, except for the introduction. This is the paragraph number that you will write down to indicate which paragraph the answer is found in. If the information is found in the introduction, please write 'I'. If you think you know the answer to the question, but do not know which paragraph it is in, please write guess in the blank.

3. Be sure that you consider each question separately and ignore interest calculations!!!

Preamble:

Your daughter Jodi has just graduated from a University business program. She wants to open her own small business – a suntanning studio. You believe that she will succeed in this project, but there is one problem, she needs to borrow $100,000. Of course, you do not have this kind of cash, so you take Jodi to the ABC Bank (which you have dealt with for a number of years). The bank manager informs you that the bank will lend Jodi the money if you agree to sign a guarantee. The attached document is the guarantee that you must sign for Jodi to receive the loan.

Questions

1. Please note the time that you begin to read this document:

_____

2. Please note the time that you finish reading this document:

_____

3. Jodi pays back the $100,000 within 2 years. The next year, a competitor opens across the street and Jodi's sales decrease. She borrows $25,000 from the ABC bank to finance an advertising campaign.

a). Could you be liable to pay this $25,000 under this guarantee? (please check)

_____Yes _____No _____Don't know

b). What part or parts of the document provide the answer to this question?

Paragraph(s) _____

4. Jodi still owes $50,000 of the original loan. A great deal of negative publicity has surrounded artificial suntanning studios, and experts predict that the demand for this service will plummet. Jodi visits the ABC bank and asks for another $35,000 for renovations to her studio. The bank manager feels that her business will not last another month and doubts she will be able to pay the money back, but the bank lends the $35,000 anyway. The experts were right, Jodi closes down her business within the month, without paying anything more to the bank.

a). How much money, if any, are you responsible for under the guarantee?

_____

b). What part or parts of the document provide the answer to this question?

Paragraph(s) _____

5. Jodi pays back the $100,000 after 2 years of business. Shortly after she pays off the debt you have a severe fight and do not speak to her for a number of years. During this time, Jodi returns to ABC bank and borrows $75,000.

a). Would you be responsible for this additional debt if Jodi defaults:
(i) If the bank notified you of the $75,000 loan?

_____Yes _____No _____Don't know

(ii) If the bank did not notify you?

_____Yes _____No _____Don't know

b). What part or parts of the document provide the answer to this question?
Paragraph(s) _____

6. Jodi pays back the $100,000 after 2 years of business. At that point you do not want to be Jodi's guarantor any longer.

a). What can you do, if anything, to avoid any future liability for loans made by Jodi?

b). What part or parts of the document provide you with the answer to this question?

Paragraph(s) _____

7. Jodi wins $200,000 in a lottery. She loses interest in her business and stops making payments to the bank. She still owes $80,000 to the bank. The bank manager sends you a letter demanding that you pay this amount, and threatens to take legal action against you if you do not pay.

a). Can the bank sue you before it sues Jodi?

_____Yes _____No _____Don't know

b). Can the bank sue you and not sue Jodi at all?

_____Yes _____No _____Don't know

c). What part or parts of the document provide the answer to the above questions?

Paragraph _____

8. As part of the loan arrangement, Jodi signs over her $60,000 sports car to the bank as security on the $100,000 loan. However, the bank loses the paper on which this agreement was written. Jodi makes no payments on the loan and refuses to give up her sports car. Are you still liable to pay the full $100,000 under the guarantee?

_____Yes _____No _____Don't know

b). What part or parts of the document provide you with the answer to this question?

Paragraph(s) _____

9. You signed the guarantee in Vancouver, B.C., but have since moved to Saskatchewan. The bank has demanded payment under the guarantee.

a). Do you have to send the money to the Vancouver Branch of the ABC bank?

_____Yes _____No _____Don't know

b). What part or parts of the document provide the answer to this question?

Paragraph(s) _____

10. a. On a scale of 1 – 5, how easy is it to understand the language used in this document? (please circle)

1	2	3	4	5
easy		moderate		difficult

b. On a scale of 1 – 5, how easy is it to understand the legal concepts expressed in this document? (please circle)

1	2	3	4	5
easy		moderate		difficult

c. Overall, on a scale of 1 – 5, how easy or difficult would the average consumer find this document to read? (please circle)

1	2	3	4	5
easy		moderate		difficult

11. Are there any specific factors which make this document either easy or difficult to read? If so, please list these factors.

12. Would you sign this document?

_____Yes _____No

Why or Why not?

13. Have you ever seen a document similar to this one?

_____Yes _____No

14. Under what circumstances did you see a similar document?

Thank-you for taking the time to complete this survey!

Appendix H

****Please indicate whether you have form 82 or 83. (This number is found in the top right hand corner of the your other document).
I have document # ____.

***Please do not change answers once they have been answered!

**I am in the faculty of _____ _____

1. Please note the time that you begin to read this document:

_____

2. Please note the time that you finish reading this document:

_____

3. Under what circumstances would you be given this document?

4. What pieces of information must you provide to complete this document? (please list)

5. What will happen if the original cheque is cashed?

6. Would you sign this document? (please check)

_____Yes _____No

Why or Why not?

7a. On a scale of 1 – 5, how easy is it to understand the language used in this document? (please circle)

1	2	3	4	5
easy		moderate		difficult

b. On a scale of 1 – 5, how easy is it to understand the legal concepts expressed in this document? (please circle)

1	2	3	4	5
easy		moderate		difficult

c. Overall, on a scale of 1 – 5, how difficult would the average consumer find this document to read? (please circle)

1	2	3	4	5
easy		moderate		difficult

8. Are there any specific factors which make this document either easy or difficult to read? If so, please list these factors.

9. Have you ever seen a document similar to this one before?

_____Yes _____No

10. Under what circumstances did you see a similar document?

Thank–you for taking the time to complete this survey!